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Federal Communications Commission  
Office of the Secretary

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FILE

Ms. Donna R. Searcy  
Secretary  
Federal Communications Commission  
1919 M Street, N. W.  
Washington, D.C. 20554

In re: In the Matter of Billed Party Preference for 0+ InterLATA  
Calls, CC Docket No. 92-77/Reply Comments of Midwest Independent  
Coin Payphone Association, Our file #92-306.26

Dear Ms. Searcy:

Enclosed are the original and nine (9) copies of the Reply  
Comments of Midwest Independent Coin Payphone Association which I  
am filing in the above rulemaking.

Very truly yours,

*William M. Barvick*

William M. Barvick

WMB:mb  
Enclosures

0 + 8  
Name of Conference  
DATE

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BEFORE THE

FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C. 20554

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Federal Communications Commission  
Office of the Secretary

In the matter of

Billed Party Preference  
for 0+ InterLATA Calls

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CC Docket No. 92-77

REPLY COMMENTS OF MIDWEST INDEPENDENT COIN PAYPHONE ASSOCIATION

The Midwest Independent Coin Payphone Association (Midwest) is an association of private payphone providers in the State of Missouri. It is submitting these Reply Comments in response to the Commission's Notice of Proposed Rulemaking.

In its Notice of Proposed Rulemaking under the discussion of benefits and costs of billed party preference, the Commission made the following statement:

It **appears** that billed party preference **could** benefit the users of operator services . . . by redirecting the focus of OSP competition for public phone traffic towards the end user and away from the recipient of 0+ commissions NPR, p.7, (emphasis added)

This somewhat tentative and qualified statement of the Commission has matured into an axiom in the comments of various proponents of billed party preference. Typical of these statements is the remark of Sprint Corporation that:

Billed party preference redirects competition for public phone traffic toward the end user and away from the premises owner commission payments that drive the present pre subscription of public payphones . . . ,

Sprint Comments, p. ii

It is apparent that billed party preference will be an expensive undertaking that will affect the operator services landscape like an earthquake. Some commentators think that this is great, while others view it with undisguised horror. If the Commission goes forward with the implementation of billed party preference, it should not do so on the basis of some skewed view of reality, and that is what the notion of competition being redirected to end users is.

The Commission has recently concluded, in Docket #91-35, that the number of end users of private pay phones who dial around pre subscribed IXCs to reach their carrier of choice was substantial enough to warrant the imposition of a flat rate charge, on the benefiting IXCs, to be paid to the private pay phone owners for the use of their equipment. The Commission concluded that half of the interstate calls from private pay phones were through carriers other than the pre subscribed carrier, and this occurred with limitations on selection of a long distance carrier that are in the process of being phased out.

What does that tell one? As noted in the NPR, dialing around the pre subscribed carrier requires knowledge of how to do it and the means to do it. What the volume of dial around traffic tells us is that someone is persuading end users to dial around and instructing them on how to do it. The volume of dial around calls is tangible evidence that IXCs are currently

focusing a substantial marketing effort on end users. This should come as no surprise to anyone who even casually watches television or reads the newspaper or magazines.

Billed party preference will not redirect operator service competition toward end users and away from site owners. The main focus of that competition is currently on the end user. At most, it may change the way in which approaches are made to end users. In other words, it will merely shift advertising techniques that are now focused on end users. Instead of competition for calls, the competition will be for the designation as the pre-selected carrier. As it considers this docket the Commission should ask itself whether the way suppliers advertise their wares is a matter of sufficient importance to warrant a change of this magnitude, and whether the demise of small operator service providers is in the public interest.

Billed party preference will not expand consumer choices. It will narrow or eliminate choice. It will create a new type of consumer captivity.

Prior to the opening of pay phones to IXC's other than the pre subscribed carrier, the complaint was that the end user was a captive. The site owner selected the carrier and if the end user chose to use the phone at that site, he had no option but to use the pre subscribed carrier.

With the mandate that pay phones be opened up to permit the selection of a number of carriers, the consumer was given choices. The choice might be influenced by the carrier's

reputation or the mode of payment available. The choice would be whatever the end user wanted at the time the call was made. A wife could use a different IXC than her husband. A method of payment that did not carry the risk of disconnection of service for non or late payment could be selected. With the adoption of billed party preference the end user will be put back to the position of having one choice. While this is a choice that he makes, it will not be a choice that can be easily revoked. Changing pay phones will not revoke it. Using a different credit card will not revoke it. Dialing a different sequence of numbers will not revoke it.

When one considers how advertising will be directed, it is apparent that it will be directed toward getting that initial commitment. Once the commitment is made, there will be little profit in attempting to get the end user to use any other carrier.

Under the current practice, operator service providers who are too small to wage expensive and protracted advertising campaigns to capture end users' attention can still participate in the market if they can persuade location owners to pre-subscribe to their services. While open access and the ease of dialing around the pre-subscribed carrier have shrunk and will continue to shrink their markets, there will always be a residual demand for their services. If one looks at the innovations in operator services, for example, multilingual operators, the innovators have been these small companies. Is it in the public

interest to mandate a system that drives existing small companies out of business, and results in imposing barriers to entry that only the largest companies could surmount?

With the demise of small operator service providers, will the competition for site locations be eliminated? The comments of airports, convenience stores and truck stops indicate that if it is eliminated, there will be drastic reductions in the number of pay phones at particular locations, and a reduction in the number of locations with pay phones. The site owners are not subject to any compulsion by the Commission to make their locations available for the placement of public phones. If there are no incentives, phones and pay phone locations will disappear. Whatever one's view about site owners, they will not be convenient whipping boys since they will not have to sit still for the beating.

The estimated investment that billed party preference will require is substantial. Estimates submitted include AT&T - \$68 million; United - \$53 million; Southern New England Telephone - \$23-33 million; Southwestern Bell - at least \$50 million; Pacific Bell - \$103 million; Bell Atlantic - \$82-86; Bell South - \$120.68 million; GTE - no idea of the amount; Ameritech - \$21-29 million; U.S. West - \$113-149 million; NYNEX - \$71-82.6 million. Using only the low estimates for these companies, one gets a total initial investment cost of 704 million dollars. This figure does not include substantial annual expenses, nor does it include the initial expenses of pay phone providers and other aggregators.

Should that much capital be diverted by administrative fiat from other productive enterprises merely to simplify a system which is currently sufficiently simple to permit the overwhelming majority of end users to select their carriers of choice?

In posing this question, we have assumed that billed party preference will simplify calling. As the comments of other parties have indicated, simplicity is not necessarily synonymous with billed party preference.

Other parties have pointed out that the anticipated benefits may be more illusory than real. For example, the comments of U. S. West indicate a significant increase in the time required to handle a call, (Comments, p. 13). As far as simplifying calling, that too may be illusory. The comments of the American Public Communications Council demonstrate that a Commission mandated billed party preference scheme will not encompass the majority of long distance calls.


Small companies create the majority of new jobs in this country. Small businesses have been driving forces of innovation in the telecommunications industry. If whole industries are eliminated by administrative fiat, who is going to be foolhardy enough to want to invest in telecommunications in this country in the future?

Midwest also endorses the Comments filed by the American Public Communications Council in this case.

In summary, Midwest would respectfully request the Commission to reconsider its initial determination that billed

party preference is in the public interest in light of the comments opposing its adoption which have been filed in this docket.

Respectfully submitted,

  
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Attorney for Midwest Independent  
Coin Payphone Association

Date: August 25, 1992